U.S. Department of Agriculture
Office of the Secretary

For Immediate Release

In looking over your program I see it is the practice of the Agricultural Cooperator Council to draw from some of Agriculture Department's finest expertise in lining up its speakers.

Now, as you know, I'm still relatively new to the department--I've only been there five months. There's no way that I can give you the kind of detailed and technical information that our people will bring you in transportation, market development, and trade. So I'll leave that to our experts.

What I would like to do today is tell you a little about my views on department's direction and mission, how that mission in current outlook terms--both domestic and export--is tied directly to the input base for agricultural exports, and what we can all do to expand that base.

Our experts who are here represent just a few of the department's many responsibilities: Dale Hathaway--economic development as a market tool; Tom Hughes--agricultural trade; and Ron Schrader--agricultural transportation. As you meet and talk with them today, just remember this: I'm the guy who tries to bring it all together.

My role, as I see it, is chiefly one of coordination.

The department comes under criticism from time to time for stretching the base of its representation, and for its increasingly wide-ranging and far-flung programs.

But those programs have been designed very carefully to carry out the mission of this administration of the Department of Agriculture. That mission is to make food and agriculture policy work for all of the people of this country. And it is working.

Remarks prepared for delivery by Deputy Secretary of Agriculture Jim Williams before the Foreign Agricultural Service/Agricultural Cooperator Council Seminar, Washington, D. C., June 28, 1979

The evidence was in at the end of last year when farm prices were nearly 23 percent higher than in 1977, when net farm income was about 40 percent higher than in 1977, and exports were valued at a record $27.3 billion.

And the evidence is in again.

One of the major elements of our current food and agriculture policy is also this administration's single most fundamental and successful input to expanding agricultural exports: to predict and stabilize the food and fiber supply.

When Secretary Bob Bergland first came to head up the department, one of his major goals was to build an agricultural situation in which producers--not the vagaries of weather and not world politics--would call the shots. He wanted an agricultural situation based on planning, not reaction. And he wanted an agricultural situation based on looking down the road to the best long-term decisions rather than seizing on present expediencies at the expense of future consequences.

Secretary Bergland helped establish the farmer-owned grain reserve. This program, which is the cornerstone of the administration's food and farm policy, assures consumers of adequate food supplies and is a hedge against rising food prices when production is low.

This non-mandatory program gives farmers the freedom to make their own economic decisions. And it is working.

On May 16, U.S. wheat prices reached the trigger level of $3.29 per bushel, the highest level reached since July 1976. U.S. and world wheat prices rose above $120.88 per metric ton, the level needed to trigger release of the reserve.

And on June 19, corn prices reached the trigger level of $2.50 per bushel, the highest level they had reached since September 1976, and farmers were given the option to make their 736-million-bushel reserve available to the market.

The farmer-owned reserve did exactly what it was intended to do: it took excess wheat, corn and feed grains off the market when prices were low. It gave farmers the option to release those reserves when prices were again to their advantage because of smaller crops and heavier demand in other parts of the world.

And they have been using it. During the first four weeks that the reserve was open, farmers released about 1.5 million tons of wheat to domestic and export markets.

That wheat was made available to a world market with an outlook shifting abruptly toward reduced supplies. Because of bad weather in the Soviet Union and Eastern Europe, the 1979 world wheat and coarse grain crop may be as much as 5 to 7 percent below last year's bumper level.

This sudden change in the supply picture, plus other factors--such as a long-term outlook for a tightening global supply-demand balance--are combining to increase world market price levels.

This, in turn, is increasing prices to U.S. producers, and this trend may continue. These increases in grain prices, plus continued strength in the cattle market, could mean our farmers will net about $32 billion in farm income this year.

Much of this sudden surge in market strength, with its implications for increased prices and improved U.S. export outlook, can be attributed to the Soviet shortfall.

The 1978 Soviet grain crop was a record 237 million tons and the Soviet plan for 1979 called for a crop of 226.8 million tons. But unfavorable weather this spring--first cold and wet, then hot and dry weather known as the Sukhovey--has set that plan back. It now seems the Soviet crop may range from 170 - 210 million tons.

It seems likely at this point that the U.S. will supply virtually all of the increase in world import needs that we now foresee for grains in 1979-80. If this is the case, our volume will rise to about 100 million tons. This will account for nearly two-fifths of all our grain production.

By stabilizing our domestic food and fiber supply through the reserve program, we've built export demand right into the entire U.S. farm production system.

And that basic element of our food and agriculture policy is paying off.

That kind of ability to respond to export opportunity is the basis for the growth of American agriculture.

We are predicting that our agricultural exports will hit a record $32 billion this year. The final figure may even exceed $32 billion with the recent improvement in grain prices. That's 17 percent--or almost $5 billion--over last year's record of $27.3 billion.

Most of this growth will come from higher export prices, but we expect some volume gains for several major commodities including soybeans, feed grains, rice and tobacco.

We're very pleased in the department about this export outlook for one chief reason--it's solid. It's not based on what Secretary Bergland calls a "fire sale" approach to eliminating commodity surpluses or a "quick fix" to long-term, complex issues. It's based on a concept that is this administration's goal in agriultural export expansion--long-term, sustainable growth.

Everything that the department is doing to expand agricultural exports is premised on long-term, sustainable growth.

This includes the work of our agricultural attaches, who are the aggressive front-line in market development work in foreign countries.

It includes overt, well-publicized efforts such as the Multilateral Trade Negotiations and trade with China. And it includes steady, behind-the scenes efforts to improve the inner workings of our marketing system, such as the work of the new Rural Transportation Advisory Task Force.

The trade talks, completed in Geneva this spring, represent the first time that agriculture has been treated equally with industry in the 30-year history of these multilateral negotiations and the first time that agriculture has gained some meaningful benefits. The agreements, which are now in Congress for approval, will reduce foreign tariffs and quotas on many of our agricultural products. They will provide workable rules to bring some control over the use of non-tariffs barrier to trade--subsidies, unnecessary product standards and other impediments.

Just three years ago China was a market for about $2 million in U.S. agricultural products. This year, largely as a result of Secretary Bergland's trip last fall, China will become a billion-dollar market.

Everything the department and our Foreign Agricultural Service cooperators are doing together to expand agricultural exports is premised on long-term, sustainable growth.

Under the Agricultural Trade Act of 1978, for example, we are opening offices in the most important commercial regions of the world to provide one-stop service to U.S. exporters and foreign customers in overseas markets. By the end of the next fiscal year, we plan to have about a dozen new trade offices around the world, each staffed by department and cooperator personnel.

So far I've discussed department export expansion activities that are based on long-term, sustainable growth. And I've discussed our work together based on long-term, sustainable growth.

But if we're honest I think we'll agree that our programs and even the consistent, solid work of the Agricultural Cooperator Council, as the oldest market development program, are after-the-fact.

What we're really talking about here is not just what the department is doing for exports, or what the department and the Council are doing for agriculture, but what the farmers of this nation are doing for all of us...the value of farm exports this year will be over five times what it was 10 years ago. That's long-term, sustainable growth!

With agricultural exports forecasted this year at $32 billion, and agricultural imports forecasted at $16 billion, agriculture will offset the national trade deficit by $16 billion.

Trade deficits are a leading cause of inflation. Without the contribution to the nation's balance of payments to be made this year by agricultural exports, our dollar would be much weaker on foreign exchange markets, and our domestic inflation problems would become even more serious.

The $16 billion in foreign exchange that will be earned by agricultural trade will be applied to the purchase of imports--especially oil--demanded by our industrial society.

Unfortunately those purchases are increasing.

In 1973, about 26 percent of the national daily input of crude oil to refineries came from imports. Today that figure is 41 percent.

In the department we are very aware of and concerned about agriculture's special --let me say critical--need for and dependence on fossil fuel inputs.

This administration has given the nation's food and fiber system a high priority during times of shortage. This has been evidenced by the Natural Gas Policy Act of 1978, which insured that adequate supplies of natural gas would be available to agricultural users on a priority basis.

President Carter said in early May that he would not allow agricultural production to be disrupted by a shortage of petroleum. The administration fulfilled that commitment by making available to farmers their full diesel fuel requirements so that they could meet critical planting needs.

And Special Rule 9, which ended last Friday, succeeded. Because it was timed to the planting season, its implementation avoided substantial delays in crop production.

We have set net energy self-sufficiency as a long-term goal for food and natural fiber production. Options include conservation, solar and wind energy, and alcohol fuels and direct combustion from residues and agricultural products.

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USDA 1481-79